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SERVICE DATE - APRIL 21, 2003

SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 347 (Sub-No. 2)

RATE GUIDELINES—NON-COAL PROCEEDINGS

Decided: April 17, 2003

In Rate Guidelines—Non-Coal Proceedings, 1 S.T.B. 1004 (1996), the Board established guidelines for handling rate complaints in cases where the constrained market pricing (CMP) guidelines cannot practicably be applied.<sup>1</sup> In that decision, the Board provided tables containing “Revenue Shortfall Allocation Method” (RSAM) and “Average Revenue-to-Variable Cost<sub>>180</sub>” (R/VC<sub>>180</sub>) percentages for each Class I railroad for the then most recent 4-year period. The RSAM measures the average markup above a carrier’s variable cost that the carrier would need to charge all its “potentially” captive traffic (traffic priced above 180% of variable costs) to earn adequate revenues as determined under 49 U.S.C 10704(a)(2). The R/VC<sub>>180</sub> represents the average markup above variable cost that a carrier imposes on its high-rated traffic (traffic priced above 180% of variable costs). The Board updates the RSAM and R/VC<sub>>180</sub> tables annually.

The attached tables contain RSAM and R/VC<sub>>180</sub> percentages for most carriers for the period 1998-2001. Because the rail systems for CSX Transportation, Inc. (CSX) and Norfolk Southern Railroad (NS) changed significantly in 1998 with the acquisition by those two railroads of the Consolidated Rail Corporation (Conrail) and the division of Conrail’s assets between them, the pre-acquisition operating statistics of CSX and NS are not comparable to their post-acquisition statistics. Thus, the tables reflect only the post-Conrail acquisition (1999 through 2001) results for CSX and NS and for the Eastern and National composites.

By the Board, Leland L. Gardner, Director, Office of Economics, Environmental Analysis, and Administration.

Vernon A. Williams  
Secretary

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<sup>1</sup> CMP, adopted in Coal Rate Guidelines—Nationwide, 1 I.C.C.2d 520 (1985), is the preferred procedure for evaluating the reasonableness of challenged rates.

**Table I**  
**RSAM Markup Percentages**  
**(Range With & Without Efficiency Adjustment)**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>BNSF</b>	213-289	258-354	222-296	185-248	188-258
<b>GTW</b>	149-205	146-168	129-186	118-188	203-278
<b>IC</b>	200-247	182-233	231-287	228-283	159-184
<b>KCS</b>	269-328	302-364	275-339	280-345	220-264
<b>SOO</b>	337-453	328-441	298-361	399-565	324-445
<b>NS</b>	195-245	186-235	208-272	191-227	
<b>CSX</b>	221-265	242-290	217-259	205-245	
<b>UP</b>	262-379	213-299	254-369	231-322	349-527
<b>Eastern Region</b>	208-254	211-258	213-265	201-240	
<b>Western Region</b>	241-338	233-326	243-341	217-298	270-388
<b>National</b>	222-294	224-298	228-308	213-277	

**Table II**  
**Average Existing Revenue-to-Variable Cost Percentages**  
**For Traffic Above 180% R/VC**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>BNSF</b>	265	266	266	263	266
<b>GTW</b>	237	236	243	255	213
<b>IC</b>	258	255	241	264	272
<b>KCS</b>	249	263	242	248	243
<b>SOO</b>	245	256	228	246	250
<b>NS</b>	208	219	200	206	
<b>CSX</b>	198	192	191	210	
<b>UP</b>	229	234	222	234	225
<b>Eastern Region</b>	207	208	199	213	
<b>Western Region</b>	246	249	242	247	244
<b>National</b>	232	234	225	237	